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Dominican Republic

Grain and Feed

Rice Production Update

2003

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Report Highlights:

After averaging 245,000 metric tons per year from 1997 to 2000, Dominican rice production increased sharply to 324,000 metric tons in 2001 and 347,000 metric tons in 2002. These increases were due to a new Dominican policy to become self-sufficient in rice and eliminate rice imports. However, the higher production levels have surpassed domestic consumption and resulted in surplus rice stocks in the country.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1], DR

Executive Summary

After averaging 245,000 metric tons per year from 1997 to 2000, Dominican rice production levels increased sharply to 324,000 metric tons in 2001 and 347,000 metric tons 2002. These increases were the result of a concerted Dominican policy to become self-sufficient in rice and eliminate rice imports. The earlier production levels resulted in yearly imports in the range of 30,000 to 70,000 tons to meet demand of 310,000 to 320,000 tons per year. As recently as calendar 2000, the Dominican Republic imported 35,000 metric tons of rice from the United States along with some informal cross the border movement of rice from Haiti, due to the price differentials between the two countries. However, the sharp production increases have exceeded domestic demand and generated surplus stocks of rice, which we estimate at 65,000 metric tons for the 2002 marketing year. Efforts are being made to export a part of the excess production to Venezuela, at prices well below internal Dominican rice price. We estimate that 20,000 metric tons of rice will be exported to Venezuela in the near term, with the possibility of additional exports during calendar 2003.

Over the past several years, rice producers have been able to convince the Dominican Government to recognize higher and higher production cost levels, which are the basis for setting producer rice prices through negotiations between producer groups and the Ministry of Agriculture. In addition, during calendar 2000 and 2001, the current President (a former Secretary of Agriculture) instructed the Government-owned Agricultural Bank (*Banco Agrícola*) to provide additional support to the rice sector in the form of subsidized loans, in an effort to increase rice production and eliminate the need for imports. In effect, the Agricultural Bank provides loans to producers at an interest rate lower than the prevailing bank rate, providing an indirect subsidy to rice production. Production figures in calendar 2001 jumped up from previous estimates, reaching over 320,000 metric tons, and preliminary estimates for calendar 2002 indicate the crop was over 340,000 metric tons.

Apparent consumption has remained stagnant for many years. In the early 1990's, when rice production costs were relatively low, annual consumption levels were close to 350,000 metric tons. As prices have increased, due to increased producer prices and import restrictions, consumption patterns of some consumers have changed to include less expensive alternative sources of carbohydrate, such as, bread, pasta and other staple foods like, plantains, cassava and dasheen. Should prices remain at current levels, consumption is expected to increase only marginally in coming years, probably not exceeding 325,000 metric tons per year.

Producers have been successful in convincing the government to purchase excess production. By the end of calendar 2002, the Dominican Government has excess supplies of around 65,000 metric tons of rice, in a market where total consumption is a little over 310,000 metric tons per year. Newspapers say that it is costing the government about US\$24,000 per month just to store the rice. The Ministry of Agriculture has been trying to reduce rice acreage for the coming season but, the high internal prices based on local production costs, still provide a strong production incentive. The calculated cost of production in the Dominican Republic is US\$23 per hundred pounds (CWT), compared to the world price of less than US\$9 per CWT. Current Dominican prices at the wholesale level for the two higher-quality rice varieties called "selecto" and "super selecto" are in the range of US\$0.25-27 per pound. Retailers in turn sell it at about US\$0.32 per pound.

There has been much press coverage and discussion in the local government and trade groups about exporting some of the rice surplus to Venezuela. A recent sale of 20,000 tons was reported, however, this has still not been shipped,

except for an initial 20 metric tons moved by air in December 2002. Government officials seemed certain that the 20,000-metric-ton shipment will take place at an agreed-on price of US\$238 per metric ton (according to press reports), around half the value of the rice in the Dominican Republic but well above current world prices. There have also been negotiations between the two countries to arrange further rice-for-oil barter trades.

Statistical Data

PSD Table						
Country	Dominican Republic					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	99	104	100	111	0	100
Beginning Stocks	43	24	63	38	88	65
Milled Production	310	324	318	347	0	316
Rough Production	477	498	489	534	0	486
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	35	9	40	0	0	0
Jan-Dec Imports	40	9	50	0	0	0
Jan-Dec Import U.S.	0	9	0	0	0	0
TOTAL SUPPLY	388	357	421	385	88	381
TOTAL Exports	0	0	0	0	0	20
Jan-Dec Exports	0	0	0	0	0	20
TOTAL Dom. Consumption	325	319	333	320	0	320
Ending Stocks	63	38	88	65	0	41
TOTAL DISTRIBUTION	388	357	421	385	0	381